

Internal Revenue Service

Department of the Treasury

District
Director

P.O. Box 1680, GPO Brooklyn, N.Y. 11202

Date: **APR 18 1986**

Employer Identification Number:

Person to Contact:

Contact Telephone Number:

CERTIFIED MAIL

Ladies & Gentlemen:

We have considered your application for recognition of exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code.

The information submitted indicates that your activities will consist of methods for improving and enhancing the business climate and value of life in [REDACTED]. Each year your organization funds and chairs promotions such as the "[REDACTED]," a horse race, with related activities for adults and children; summer concerts free to the public which also showcase local talent.

Your by-laws state in Article IV that the qualifications for membership are:

"Any business or professional entity, be it an individual, proprietorship, partnership, or corporation having an interest in the objectives of the organization shall be eligible to apply for membership, along with any interested individual. Businesses, professional entities or individuals in areas adjacent to [REDACTED] shall be eligible for membership."

You state in your promotional literature that there are many benefits to members of [REDACTED]. They include a free listing in the publication of a Business Map and Directory of [REDACTED] and reduced ad rates. The fee schedule states that advertisements are priced as follows:

Businesses.....	\$ [REDACTED] per month or \$ [REDACTED] per year
Professionals.....	\$ [REDACTED] per year
Individuals.....	\$ [REDACTED] per year
Not-For-Profit Organizations.....	Exchange Membership

Members are also offered free or reduced price inclusion in all promotional and publicity efforts financed by the [REDACTED]; free attendance in informative seminars on various aspects of business including, but not limited to sales techniques, advertising hospitality, computers in small businesses, grants and low interest loans, marketing, etc.; opportunity to place ads or coupons in your newsletter mailing several times a year; and many occasions to discuss with other business people and professionals the economic climate and development in [REDACTED] and how the [REDACTED] can act to improve it.

Section 501(c)(3) of the Code provides for the exemption of organization organized and operated exclusively for charitable or educational purposes.

Section 1.501 (c)(3)-1(a) of the Income Tax Regulations provides that in order to be exempt as an organization described in section 501(c)(3), the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section.

In order to satisfy the organizational test an organization must limit its purposes to one or more exempt purposes and must not be empowered, other than to an insubstantial degree, to engage in activities, which are not in furtherance of exempt purposes. An organization described in section 501(c)(3) must also dedicate its assets exclusively for exempt purposes. This will be accomplished if upon dissolution the assets of the organization, by reason of a provision in the organization's Articles or by operation of state law would be distributed for one or more exempt purposes (Income Tax Regulation Section 1.501(c)(3)-1(b)).

Your organization's purposes are not limited exclusively for exempt purposes and your Certificate of Incorporation does not provide for the irrevocable dedication of assets for exempt purposes. Accordingly, the organizational test is not satisfied.

Your organization also does not satisfy the operational test.

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations provides that an organization may not be exempt unless it serves a public rather than private interests.

Revenue Ruling 77-111, 1977-1 C.B. 144 states that an organization formed to increase business patronage in a deteriorating area by providing information on the area's shopping opportunities, local transportation and accommodations is not operated exclusively for charitable purposes and does not qualify for exemption under IRC 501(c)(3).

Also, an organization whose purpose is to revive retail sales in an area of economic decline by constructing a shopping center does not qualify for exemption under IRC 501(c)(3), per Revenue Ruling 77-111, 1977-1 C.B. 144.

In *Better Business Bureau v. U.S.* 326 U.S. 279(1945), the Supreme Court stated that the presence of even a single, non-exempt purpose, if more than insubstantial in nature, will defeat exemption under section 501(c)(3) of the Code, regardless of the manner or importance of the truly exempt purpose.

The information available demonstrates that while some activities of your organization are educational, like the organization described in Revenue Ruling 77-111, the substantial purpose of the organization is to promote business.

Accordingly, we conclude that you are not operated exclusively for purposes described in section 501(c)(3). Therefore, you are not exempt from federal income tax under that section.

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

Contributions made to you are not deductible by the donors as charitable contributions as defined in section 170(c) of the Code.

If you do not agree with this determination you may protest in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completions.

If we do not hear from you within that time this determination will be considered final and the appropriate State Officials will be notified.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Sincerely yours,

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District Director

Enclosure: Pub. 892

cc: